

ROGERS CITY HOUSING COMMISSION  
ROGERS CITY, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Rogers City Housing Commission	County Presque Isle
Fiscal Year End June 30, 2006	Opinion Date January 5, 2007	Date Audit Report Submitted to State January 23, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

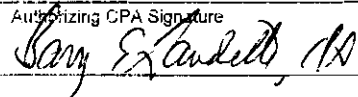
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**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Report on Compliance and Internal Control	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 1107 E. Eighth Street		City Traverse City	State MI
Zip 49686			
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	License Number 11050

ROGERS CITY HOUSING COMMISSION  
**TABLE OF CONTENTS**  
June 30, 2006

	<u>Page</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	1-2
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS (MD &amp; A)</u>	3-6
<u>FINANCIAL STATEMENTS</u>	
Basic Financial Statements:	
Fund Financial Statements:	
Proprietary Fund:	
Statement of Net Assets	7-8
Statement of Activities	9
Statement of Cash Flows	10-11
Notes to Financial Statements	12-20
 <u>SUPPLEMENTAL INFORMATION</u>	
Fund Financial Statements:	
Proprietary Fund:	
Combining Statement of Net Assets	21-22
Combining Statement of Activities	23
Combining Statement of Cash Flows	24-25
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Federal Awards	26
Financial Data Schedule	27-30
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31-32

## INTRODUCTION

***Independent Auditor's Report***

Board of Commissioners  
Rogers City Housing Commission  
Rogers City, Michigan

I have audited the accompanying financial statements of the business-type activities of the Rogers City Housing Commission, Michigan, a component unit of the City of Rogers City, as of and for the year ended June 30, 2006, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Since it was not practical to extend my auditing procedures into the prior unaudited year, I am unable to express an opinion on the consistency of application of accounting principles with the preceding year.

In my opinion, except for the effects of the omission of the information mentioned in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Rogers City Housing Commission, Michigan, as of June 30, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Rogers City Housing Commission  
Independent Auditor's Report  
Page Two

As described in Note 6(D), the Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted as of June 30, 2006.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 5, 2007, on my consideration of Rogers City Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 6, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise Rogers City Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Barry E. Sandette, CPA, PC*

January 5, 2007

ROGERS CITY HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
June 30, 2006  
=====

Rogers City Housing Commission, created in 1966, by the City of Rogers City, provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

**Financial Highlights**

The financial statements for Rogers City Housing Commission consists of two programs. The first is owned housing, consisting of 38 units of public housing and the second is the capital funding program. Rogers City Housing Commission had total revenues of \$177,940 that includes \$105,771 in rental payments and \$56,917 in federal assistance. Total operating expenses were \$249,617, that includes \$51,648 in administrative expenses, \$35,546 in utilities, \$60,185 in ordinary maintenance expenses, and \$48,698 in depreciation expense. Total revenues decreased by \$30,937 from the prior year and operating expenses increased by \$86,127 from the prior year for a net decrease of \$117,064, due in part to the decrease in federal grants for capital projects and elevator repairs.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent year by \$757,813. The Housing Commission's total net assets decreased by \$71,677 from the prior year. The decrease is attributable in part to the operating expenses increasing over the prior year.

Total assets of the Housing Commission were \$775,511 including \$147,327 of current assets and \$628,184 of capital assets. The Housing Commission had current liabilities of \$17,698. Assets decreased, in part, by \$73,576 from the prior year for the same reason mentioned in the previous paragraph.

The financial condition of the Housing Commission remains stable even after various overdue improvements were made to the Housing Commission facilities.

**Overview of the Financial Statements**

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- \* Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.

- \* Statement of Activities - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- \* Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

#### Commission's current position

To the casual observer, it may seem that the 2005-06 fiscal year was a bad year for our housing commission. We showed a deficit of over \$40,000. However, this was because we had much to do in the way of modernization in our building. This fiscal year was a year of upgrading our facility to make it both warm and inviting for not only the tenants who inhabited the building but for the potential future tenants. Many of our apartments had not seen a coat of paint for years and years. One in particular had not been painted in 25 years!! Carpeting, new vinyl, new doors and door hardware were just a few of the needed items that gave Hilltop Manor a facelift. Purchasing simple wall decorations on sale whenever possible and putting floral arrangements in advantageous places totally changed the atmosphere. Tenants who had formerly considered moving to another facility were more than happy to remain and also spread the word to the outside. Our waiting list began to grow and continues even now. I have had such marvelous feedback from relatives and friends of our residents but the ones that mean the most are from the people who have never stopped foot in our facility and yet have heard that it is a great place to live.

We have a couple of necessary purchases that affected our overall performance. The first came as a suggestion from the newly hired maintenance man who suggested we sell the larger tractor that spent most of the time sitting in the garage as well as a small riding lawnmower and purchase a lawn tractor with a larger mowing capacity that also had the capability of a snow blower attachment for sidewalks and parking areas. We were able to sell the older tractor and lawnmower to the city for enough money to completely cover the cost of the new equipment. We also purchased oak doors for the apartments from our local lumber company at a significantly reduced price. These replaced some very dark colored and rough textured doors and totally brightened our small apartments. We have also made the commitment to totally rejuvenate our apartments as they become available for turnover. We wash, paint, carpet and even replace vinyl if necessary. New tenants walk into totally new apartments.

Our upcoming projects include a couple of high priced items. We have an elevator that is not big enough to accommodate and emergency gurney. It is also more than 30 years old and has had its share of problems. In the 2005-06 fiscal year we spent more than \$12,000 in maintenance and repairs to keep it functioning. In a building where we have elderly who cannot do stairs, it is



necessary that we attempt to construct a new and larger elevator while this current one is still working. The second project involves conducting an electrical study that will tell us if our building is able to accept wiring to enable us to install electric stoves in our apartments. We have people who are on oxygen 24/7 and are unable to use their stoves because they are gas. At the same time we would like to install hard wired smoke detectors in each apartment that can be individually monitored by the security service we now have. This would provide more safety to residents by detecting fires in apartments before they have a chance to progress to the rest of the building.

Other than what had been described in the preceding paragraphs, there are no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

Questions and comments regarding this Management Discussion and Analysis may be directed to:

Sally Goupell, Executive Director  
643 W. Erie Street  
Rogers City, Michigan 49779-1650

#### Financial Analysis of the Housing Commission

The following condensed statement of net assets show a summary of changes for the years ended June 30, 2006 and 2005.

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Current assets	\$ 147,327	\$ 193,100	\$ ( 45,773)
Capital assets	<u>628,184</u>	<u>655,987</u>	<u>( 27,803)</u>
Total assets	<u>\$ 775,511</u>	<u>\$ 849,087</u>	<u>\$ ( 73,576)</u>
Current liabilities	\$ 17,698	\$ 19,597	\$ ( 1,899)
Total liabilities	<u>17,698</u>	<u>19,597</u>	<u>( 1,899)</u>
Net assets:			
Invested in capital assets	628,184	655,987	( 27,803)
Unrestricted net assets	<u>129,629</u>	<u>173,503</u>	<u>( 43,874)</u>
Total net assets	<u>757,813</u>	<u>829,490</u>	<u>( 71,677)</u>
Total liabilities and net assets	<u>\$ 775,511</u>	<u>\$ 849,087</u>	<u>\$ ( 73,576)</u>

**Financial Analysis of the Housing Commission (continued)**

The following table summarizes the statement of activities of the Housing Commission for the years ended June 30, 2006 and 2005.

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
<b>Operating revenues:</b>			
Dwelling rent	\$ 105,771	\$ 103,338	\$ 2,433
Nondwelling rent	<u>120</u>	<u>          </u>	<u>120</u>
Total operating revenues	<u>105,891</u>	<u>103,338</u>	<u>2,553</u>
<b>Operating expenses:</b>			
Administration	51,648	33,094	18,554
Tenant services	1,250	270	980
Utilities	35,546	31,744	3,802
Ordinary maintenance and operation	60,185	35,662	24,523
General expenses	13,704	13,104	600
Extraordinary maintenance	38,586		38,586
Depreciation	<u>48,698</u>	<u>49,616</u>	<u>( 918)</u>
Total operating expenses	<u>249,617</u>	<u>163,490</u>	<u>86,127</u>
Operating income(loss)	<u>( 143,726)</u>	<u>( 60,152)</u>	<u>( 83,574)</u>
<b>Non-operating revenue:</b>			
Interest income	3,084	2,736	348
Other income	12,048	3,414	8,634
Operating grants	56,917		56,917
Capital grants	<u>          </u>	<u>99,389</u>	<u>( 99,389)</u>
Total nonoperating revenue	<u>72,049</u>	<u>105,539</u>	<u>( 33,490)</u>
<b>Change in Net Assets</b>	<u><u>\$ ( 71,677)</u></u>	<u><u>\$ 45,387</u></u>	<u><u>\$ ( 117,064)</u></u>

## FINANCIAL STATEMENTS

ROGERS CITY HOUSING COMMISSION  
**STATEMENT OF NET ASSETS**  
June 30, 2006  
=====

**ASSETS**

Current Assets:

Cash	\$ 13,534
Accounts receivable-miscellaneous	4,500
Accounts receivable-dwelling rents	289
Investments-unrestricted	125,313
Prepaid expenses	<u>3,691</u>

Total Current Assets	<u>147,327</u>
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Capital Assets:

Land	42,958
Buildings	1,263,996
Equipment	<u>172,394</u>

	1,479,348
Less: accumulated depreciation	<u>( 851,164)</u>

Net Capital Assets	<u>628,184</u>
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Total Assets	<u><u>\$ 775,511</u></u>
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See notes to financial statements

ROGERS CITY HOUSING COMMISSION  
STATEMENT OF NET ASSETS (CONTINUED)  
June 30, 2006  
=====

**LIABILITIES and NET ASSETS**

Current Liabilities:

Accounts payable	\$ 9,696
Tenant security deposit liability	1,760
Accrued expenses	2,003
Deferred revenues	15
Other current liabilities	<u>4,224</u>

Total Current Liabilities	<u>17,698</u>
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Net Assets:

Invested in capital assets	628,184
Unrestricted net assets	<u>129,629</u>

Total Net Assets	<u>757,813</u>
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Total Liabilities and Net Assets	<u><u>\$ 775,511</u></u>
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See notes to financial statements

ROGERS CITY HOUSING COMMISSION  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2006  
=====

**OPERATING REVENUES:**

Dwelling rent	\$ 105,771
Nondwelling rent	<u>120</u>
Total operating revenues	<u>105,891</u>

**OPERATING EXPENSES:**

Administration	51,648
Tenant services	1,250
Utilities	35,546
Ordinary maintenance and operation	60,185
General expenses	13,704
Extraordinary maintenance	38,586
Depreciation	<u>48,698</u>
Total operating expenses	<u>249,617</u>

Operating income(loss)	<u>( 143,726)</u>
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**NONOPERATING REVENUES:**

Investment interest income	3,084
Other income	12,048
Operating grants	<u>56,917</u>

Total nonoperating revenues	<u>72,049</u>
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Change in net assets	( 71,677)
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Prior period adjustment	( 7,283)
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Net assets, beginning	<u>836,773</u>
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Net assets, ending	<u><u>\$ 757,813</u></u>
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See notes to financial statements

ROGERS CITY HOUSING COMMISSION  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2006  
=====

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and nondwelling rents	\$ 105,617
Cash payments to other suppliers of goods and services	( 139,022)
Cash payments to employees for services	( 49,055)
Cash payments for in lieu of taxes	<u>( 7,159)</u>
Net cash (used) by operating activities	<u>( 89,619)</u>

**CASH FLOWS FROM NONCAPITAL**

**FINANCING ACTIVITIES:**

Tenant security deposits	( 120)
Operating grants	64,200
Other revenue	<u>7,548</u>
Net cash provided by noncapital financing activities	<u>71,628</u>

**CASH FLOWS FROM CAPITAL AND RELATED**

**FINANCING ACTIVITIES:**

Payments for capital acquisitions	<u>( 28,178)</u>
Net cash (used) by capital and related financing activities	<u>( 28,178)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Decrease in investments	35,873
Receipts of interest and dividends	<u>4,137</u>
Net cash provided by investing activities	<u>40,010</u>

Net increase(decrease) in cash	( 6,159)
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Cash, beginning	<u>19,693</u>
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Cash, ending	<u><u>\$ 13,534</u></u>
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ROGERS CITY HOUSING COMMISSION  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended June 30, 2006  
=====

RECONCILIATION OF CASH AND CASH  
EQUIVALENTS PER STATEMENT OF CASH  
FLOWS TO THE BALANCE SHEET:

Cash	\$ 13,534
Cash and cash equivalents per balance sheet	<u>\$ 13,534</u>

SCHEDULE RECONCILING OPERATING INCOME  
TO NET CASH FLOW FROM OPERATING  
ACTIVITIES:

Operating income(loss)	\$( 143,726)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	48,698
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	( 289)
Prepaid expenses	194
Increase (decrease) in liabilities:	
Accounts payable	( 604)
Accrued wages/payroll taxes	1,589
Accrued compensated absences	414
Accrued payments in lieu of taxes	( 134)
Deferred revenues	15
Other current liabilities	<u>4,224</u>
Net cash (used) by operating activities	<u>\$( 89,619)</u>

See notes to financial statements



ROGERS CITY HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Rogers City Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

**The Reporting Entity**

Rogers City Housing Commission is a component unit of the City of Rogers City, a Michigan Home Rule City. The Housing Commission is a Public Housing Agency created by the City of Rogers City on August 17, 1966, consisting of a five member board appointed by the City manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Rogers City Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

**Grants and Other Intergovernmental Revenues**

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract, C-3009, the Housing Commission constructed, maintains and operates 38 units of subsidized housing in the City of Rogers City, Michigan.

**Fund Financial Statements**

The Housing Commission only has business-type activities, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Activities and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing

Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the statement of net assets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net assets components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Rogers City Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

#### **Insurance**

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

#### **Budgets and Budgetary Accounting**

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

#### **Receivables**

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

#### **Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

### **Fixed Asset Capitalization**

Fixed assets with a cost to acquire or construct of \$100 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Land improvements	5 - 40 years
Buildings	7 - 40 years
Building improvements	5 - 40 years
Dwelling equipment-nonexpendable	7 years
Furniture, equipment-administration	5 - 10 years
Nondwelling structures	3 - 10 years

### **Net Assets**

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post FY 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

### **Operating Revenues and Expenses**

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services. Amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested in capital assets rather than unrestricted net assets.

### **Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

### **Vacation and Sick Leave**

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- \* The vacation year shall be the calendar year and all vacations will be earned for years of continuous service. **Vacation leave** not taken by employees shall be forfeited unless there

are extenuating circumstances. Vacation leave shall be taken in the year after the year in which it was earned.

- \* Each regular full-time employee shall accumulate **sick leave** at the rate of one(1) day for each thirty(30) calendar days of service. An employee may accumulate a maximum of ninety(90) days. An employee is eligible to receive fifty percent(50%) of the time upon leaving or death.
- \* **Personal days** will be earned by all full-time employees at the rate of two per year. These days must be used in the year that they are earned or they are lost at the end of the year.

The amount of accumulated benefits at June 30, 2006, was \$414, and is recorded as a liability in the applicable funds.

#### **Post Employment Benefits**

The Housing Commission does not have a pension plan for its employees.

#### **Income Taxes**

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

#### **NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK**

The Housing Commission maintains cash and investment accounts in the Low Rent Program.

#### **Deposits**

At year-end, the carrying amount of the Housing Commission's deposits were \$13,384 and the bank balance was \$14,058 of which \$14,058 was covered by federal depository insurance and a collateral agreement. The Housing Commission has \$150 in petty cash and \$240 in a change fund.

#### **Investments**

The Housing Commission had the following investments at First Federal bank as of June 30, 2006:

Huron National Bank (CD #118794)	\$ 50,000
Huron National Bank (CD #119939)	40,000
Independent Bank (CD #9019314327)	31,147
Huron National Bank (Savings #50117605)	<u>4,166</u>
	<u>\$ 125,313</u>

*Interest Rate Risk* - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

- |                                     |            |
|-------------------------------------|------------|
| 1. U.S. Treasury Notes              | - 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - 75% and  |
| 3. Mortgage Backed Securities       | - 25%      |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the combined statement of net assets follows:

Cash on hand	\$ 150
Carrying amount of deposits	13,384
Investments	<u>125,313</u>
Total	<u>\$ 138,847</u>

Cash and cash equivalents:	
Enterprise activities	\$ 139,521
Enterprise activities - checks written in excess of deposits	( 674)
Total	<u>\$ 138,847</u>

### NOTE 3: RECEIVABLES AND PAYABLES

#### Accounts Receivable - Miscellaneous

The Housing Commission sold a tractor to the City of Rogers City for \$4,500 during the fiscal year ended June 30, 2006.

#### Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At June 30, 2006, the receivables were \$289 with \$-0- estimated as uncollectible. Bad debt expense was \$-0-.

#### Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs". There were no interfund payables to the Low Rent Program from the Capital Fund Program as of June 30, 2006

There was an individual fund operating transfer during the fiscal year of \$44,361 from the capital fund program to the low rent program.

### NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balance</u> <u>06/30/05</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>06/30/06</u>
<b>Low Rent Program</b>			
Land	\$ 42,958	\$	\$ 42,958
Buildings	1,152,446	111,550	1,263,996
Furniture, equip. & machinery - administration	<u>163,660</u>	<u>8,734</u>	<u>172,394</u>
	1,359,064	<u>\$ 120,284</u>	<u>1,479,348</u>
Less accumulated depreciation	<u>( 800,419)</u>	<u>\$( 50,745)</u>	<u>( 851,164)</u>
Total	<u>\$ 558,645</u>		<u>\$ 628,184</u>

**Capital Fund Program**

Buildings	\$ 92,106	\$	\$ 92,106	\$
Construction in progress	<u>7,283</u>		<u>7,283</u>	
	99,389	\$	<u>\$ 99,389</u>	
Less accumulated depreciation	<u>( 2,047)</u>	\$	<u>\$ 2,047</u>	
Total	<u>\$ 97,342</u>		<u>\$</u>	
<b>Combined Totals</b>			<u>\$ 628,184</u>	

**NOTE 5: INVESTED IN CAPITAL ASSETS**

The following is a summary of the activity in the Invested in Capital Assets account:

	<u>Invested in Capital Assets</u>
Balance, beginning	\$ 655,987
Investment in fixed assets, net of depreciation paid for from operations net of depreciation.	<u>( 27,803)</u>
Balance, ending	<u>\$ 628,184</u>

**NOTE 6: OTHER INFORMATION****A. Current Vulnerability Due to Certain Concentrations**

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

**B. Risk Management and Litigation**

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

### C. Implementation of New Accounting Standard

As of and for the year ended June 30, 2006, the Housing Commission implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a government's major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

### D. Prior Period Adjustments, Equity Transfers and Correction of Errors

#### Low Rent Program

Transfer CFP 501-04	\$ 46,460
Transfer CFP 501-03	45,646
Transfer CFP Depreciation	( 2,047)
	<u>\$ 90,059</u>

#### Capital Fund Program

Reclassify costs to Low Rent	\$ ( 7,283)
Transfer CFP 501-04 to Low Rent	( 46,460)
Transfer CFP 501-03 to Low Rent	( 45,646)
Transfer CFP depreciation to Low Rent	<u>2,047</u>
	<u>\$ ( 97,342)</u>

### NOTE 7: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes two separate programs which provide housing assistance and grant programs. Segment information for the year ended June 30, 2006, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>
<b>Condensed Statement of Net Assets</b>		
Current assets	\$ 147,327	\$
Capital assets	628,184	
Total assets	<u>\$ 775,511</u>	<u>\$</u>
Current liabilities	\$ 17,698	\$
Total liabilities	<u>17,698</u>	
Net assets:		
Invested in capital assets	628,184	
Unrestricted net assets	<u>129,629</u>	
Total net assets	<u>757,813</u>	
Total liabilities and net assets	<u>\$ 775,511</u>	<u>\$</u>



	Low Rent Program	Capital Fund Program
<b>Condensed Statement of Activities</b>		
Dwelling rent	\$ 105,771	\$
Nondwelling rent	120	
Depreciation	( 48,698)	
Other operating expenses	( 200,919)	
Operating (loss)	( 143,726)	
Nonoperating revenues:		
Investment interest income	3,084	
Other income	12,048	
Operating transfers in (out)	44,361	( 44,361)
Operating grants	12,556	44,361
Change in net assets	( 71,677)	
Prior period adjustments, equity transfers and correction of errors	90,059	( 97,342)
Beginning net assets	739,431	97,342
Ending net assets	<u>\$ 757,813</u>	<u>\$</u>
<b>Condensed Statement of Cash Flows</b>		
Net cash provided(used) by:		
Operating activities	\$ ( 272,060)	\$
Noncapital financing activities	399,154	
Capital and related financing activities	( 22,643)	
Investing activities	17,682	
Net increase(decrease)	122,133	
Beginning cash and cash equivalents	618,486	
Ending cash and cash equivalents	<u>\$ 740,619</u>	<u>\$</u>

SUPPLEMENTARY INFORMATION

ROGERS CITY HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS**  
June 30, 2006

=====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 13,534	\$
Accounts receivable-miscellaneous	4,500	
Accounts receivable-dwelling rents	289	
Investments-unrestricted	125,313	
Prepaid expenses	<u>3,691</u>	
Total current assets	<u>147,327</u>	
Capital Assets:		
Land	42,958	
Buildings	1,263,996	
Equipment	<u>172,394</u>	
	1,479,348	
Less accumulated depreciation	<u>( 851,164)</u>	
Net capital assets	<u>628,184</u>	
Total Assets	<u>\$ 775,511</u>	<u>\$</u>

Totals

\$ 13,534  
4,500  
289  
125,313  
3,691

147,327

42,958  
1,263,996  
172,394  
1,479,348  
( 851,164)

628,184

\$ 775,511

ROGERS CITY HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS (CONTINUED)**  
June 30, 2006  
=====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 9,696	\$
Tenant security deposit liability	1,760	
Accrued expenses	2,003	
Deferred revenues	15	
Other current liabilities	<u>4,224</u>	<u>          </u>
Total current liabilities	<u>17,698</u>	<u>          </u>
Net assets:		
Invested in capital assets	628,184	
Unrestricted net assets	<u>129,629</u>	<u>          </u>
Total net assets	<u>757,813</u>	<u>          </u>
Total Liabilities and Net Assets	<u>\$ 775,511</u>	<u>\$</u>

Totals

\$ 9,696  
1,760  
2,003  
15  
4,224

17,698

628,184  
129,629

757,813

\$ 775,511

ROGERS CITY HOUSING COMMISSION  
**COMBINING STATEMENT OF ACTIVITIES**  
 Year Ended June 30, 2006  
 =====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 105,771	\$
Nondwelling rent	<u>120</u>	<u>          </u>
Total operating revenues	<u>105,891</u>	<u>          </u>
<b>OPERATING EXPENSES:</b>		
Administration	51,648	
Tenant services	1,250	
Utilities	35,546	
Ordinary maintenance and operation	60,185	
General expenses	13,704	
Extraordinary maintenance	38,586	
Depreciation	<u>48,698</u>	<u>          </u>
Total operating expenses	<u>249,617</u>	<u>          </u>
Operating income(loss)	<u>( 143,726)</u>	<u>          </u>
<b>NONOPERATING REVENUES(EXPENSES):</b>		
Investment interest income	3,084	
Other income	12,048	
Operating transfers in (out)	44,361	( 44,361)
Operating grants	<u>12,556</u>	<u>44,361</u>
Total nonoperating revenues (expenses)	<u>72,049</u>	<u>          </u>
Change in net assets	( 71,677)	
Prior period adjustments, equity transfers and correction of errors	90,059	( 97,342)
Net assets, beginning	<u>739,431</u>	<u>97,342</u>
Net assets, ending	<u>\$ 757,813</u>	<u>\$</u>

Totals

\$ 105,771  
120

105,891

51,648  
1,250  
35,546  
60,185  
13,704  
38,586  
48,698

249,617

( 143,726)

3,084  
12,048  
56,917

72,049

( 71,677)

( 7,283)

836,773

\$ 757,813



ROGERS CITY HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2006  
=====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from dwelling and nondwelling rents	\$ 105,617	\$
Cash payments to other suppliers of goods and services	( 139,022)	
Cash payments to employees for services	( 49,055)	
Cash payments for in lieu of taxes	<u>( 7,159)</u>	
Net cash (used) by operating activities	<u>( 89,619)</u>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Due from/to other programs	7,283	( 7,283)
Tenant security deposits	( 120)	
Operating transfers in (out)	44,361	( 44,361)
Operating grants	12,556	51,644
Other revenue	<u>7,548</u>	
Net cash provided by noncapital financing activities	<u>71,628</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Payments for capital acquisitions	<u>( 28,178)</u>	
Net cash (used) by capital and related financing activities	<u>( 28,178)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Decrease in investments	35,873	
Receipts of interest and dividends	<u>4,137</u>	
Net cash provided by investing activities	<u>40,010</u>	
Net increase(decrease) in cash	( 6,159)	
Cash, beginning	<u>19,693</u>	
Cash, ending	<u><u>\$ 13,534</u></u>	<u><u>\$</u></u>

Totals

\$ 105,617

( 139,022)

( 49,055)

( 7,159)

( 89,619)

( 120)

64,200

7,548

71,628

( 28,178)

( 28,178)

35,873

4,137

40,010

( 6,159)

19,693

\$ 13,534

ROGERS CITY HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
Year Ended June 30, 2006  
=====

	Low Rent	Capital
	Program	Fund
	Program	Program
	<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH  
EQUIVALENTS PER STATEMENT OF  
CASH FLOWS TO THE BALANCE SHEET:**

Cash	\$ <u>13,534</u>	\$ _____
Cash and cash equivalents per balance sheet	\$ <u><u>13,534</u></u>	\$ <u><u>          </u></u>

**SCHEDULE RECONCILING OPERATING INCOME  
TO NET CASH FLOW FROM OPERATING  
ACTIVITIES:**

Operating income(loss)	\$ ( 143,726)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	48,698	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	( 289)	
Prepaid expenses	194	
Increase (decrease) in liabilities:		
Accounts payable	( 604)	
Accrued wages/payroll taxes	1,589	
Accrued compensated absences	414	
Accrued payments in lieu of taxes	( 134)	
Deferred revenues	15	
Other current liabilities	<u>4,224</u>	
Net cash (used) by operating activities	<u>\$ ( 89,619)</u>	<u>\$ _____</u>

Totals

\$ 13,534

\$ 13,534

\$ ( 143,726)

48,698

( 289)  
194

( 604)  
1,589  
414

( 134)  
15  
4,224

\$ ( 89,619)

ROGERS CITY HOUSING COMMISSION  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS**  
Year Ended June 30, 2006

=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2006	Low Rent Public Housing	14.850	\$ 12,556
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2006	Capital Fund Program	14.872	<u>44,361</u>
	Total		<u>\$ 56,917</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the  
accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

ROGERS CITY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended June 30, 2006

=====

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 13,534	\$
100	Total cash	<u>13,534</u>	
	Receivables:		
125	A/R-miscellaneous	4,500	
126	A/R-tenants-dwelling rents	<u>289</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>4,789</u>	
	Current Investments:		
131	Investments-unrestricted	<u>125,313</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	<u>3,691</u>	
	Total other current assets	<u>3,691</u>	
150	Total current assets	<u>147,327</u>	
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	42,958	
162	Buildings	1,263,996	
164	Furn, equip & mach-admin.	172,394	
166	Accumulated depreciation	<u>( 851,164)</u>	
160	Total fixed assets, net of accumulated depreciation	<u>628,184</u>	
180	Total noncurrent assets	<u>628,184</u>	
190	Total Assets	<u>\$ 775,511</u>	<u>\$</u>

Totals

\$ 13,534

13,534

4,500

289

4,789

125,313

3,691

3,691

147,327

42,958

1,263,996

172,394

( 851,164)

628,184

628,184

\$ 775,511

ROGERS CITY HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended June 30, 2006  
 =====

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES AND EQUITY/NET ASSETS</b>			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 2,671	\$
321	Accrued wage/payroll taxes payable	1,589	
322	Accrued compensated absences-current portion	414	
333	Accounts payable-other government	7,025	
341	Tenant security deposits	1,760	
342	Deferred revenues	15	
345	Other current liabilities	<u>4,224</u>	
310	Total current liabilities	<u>17,698</u>	
300	Total liabilities	<u>17,698</u>	
	Equity:		
508.1	Invested in capital assets	<u>628,184</u>	
508	Total equity	628,184	
	Net Assets:		
512.1	Unrestricted net assets	<u>129,629</u>	
513	Total equity/net assets	<u>757,813</u>	
600	Total Liabilities and Equity/Net Assets	<u>\$ 775,511</u>	<u>\$</u>



Totals

\$ 2,671

1,589

414

7,025

1,760

15

4,224

17,698

17,698

628,184

628,184

129,629

757,813

\$ 775,511

ROGERS CITY HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended June 30, 2006

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 105,771	\$
704	Tenant revenue-other	<u>120</u>	
705	Total tenant revenue	105,891	
706	HUD PHA grants	12,556	44,361
711	Investment income-unrestricted	3,084	
715	Other revenue	<u>12,048</u>	
700	Total revenue	<u>133,579</u>	<u>44,361</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	26,270	
912	Auditing fees	2,380	
914	Compensated absences	414	
915	Employee benefit contributions-adm.	5,837	
916	Other operating-administrative	16,747	
	Tenant Services:		
924	Tenant services-other	1,250	
	Utilities:		
931	Water	1,568	
932	Electricity	13,121	
933	Gas	17,946	
938	Other utilities expense	2,911	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	14,903	
942	Ordinary maint & oper-mat'ls & other	9,241	
943	Ordinary maint & oper-contract costs	31,993	
945	Employee benefit contributions- ordinary maintenance	4,048	
	General expenses:		
961	Insurance premiums	6,679	
963	Payments in lieu of taxes	<u>7,025</u>	
969	Total operating expenses	<u>162,333</u>	
970	Excess operating revenue over operating expenses	<u>( 28,754)</u>	<u>44,361</u>

<u>Totals</u>	
\$	105,771
	<u>120</u>
	105,891
	56,917
	3,084
	<u>12,048</u>
	<u>177,940</u>

26,270  
2,380  
414  
5,837  
16,747

1,250

1,568  
13,121  
17,946  
2,911

14,903  
9,241  
31,993

4,048

	6,679
	<u>7,025</u>

	<u>162,333</u>
--	----------------

	<u>15,607</u>
--	---------------

ROGERS CITY HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended June 30, 2006  
=====

FDS Line Item No.		Low Rent Program <u>14,850</u>	Capital Fund Program <u>14,872</u>
	<b>Expenses continued:</b>		
	Other expenses:		
971	Extraordinary maintenance	38,586	
974	Depreciation expense	<u>48,698</u>	
	Total other expenses	<u>87,284</u>	
900	Total expenses	<u>249,617</u>	
	<b>Other Financing Sources (Uses):</b>		
1001	Operating transfers in	44,361	
1002	Operating transfers out		<u>(44,361)</u>
	Total other financing sources (uses)	<u>44,361</u>	<u>(44,361)</u>
1000	Excess (deficiency) of operating revenue over (under) expenses	( 71,677)	
1104	Prior period adjustments, equity transfers and correction of errors	90,059	(97,342)
1103	Beginning Net Assets	<u>739,431</u>	<u>97,342</u>
	Ending Net Assets	<u>\$ 757,813</u>	<u>\$</u>

Totals

38,586  
48,698

87,284

249,617

44,361  
( 44,361)

( 71,677)

( 7,283)

836,773

\$ 757,813

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Board of Housing Commissioners  
Rogers City Housing Commission  
Rogers City, Michigan

I have audited the financial statements of the business-type activities of the Rogers City Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2006, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated January 5, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operations that I consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards  
Rogers City Housing Commission  
Page Two

**Compliance and Other Matters (continued)**

compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated January 5, 2007.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Barry E. Taulitt, CPA, PC*

January 5, 2007

ROGERS CITY HOUSING COMMISSION

**INDEPENDENT AUDITORS' REPORTS  
ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE/BOARD OF COMMISSIONERS  
AND  
MANAGEMENT ADVISORY COMMENTS**

JUNE 30, 2006



**ROGERS CITY HOUSING COMMISSION**  
**CONTENTS**  
**JUNE 30, 2006**

	<u>Page</u>
Independent Auditors' Report on Communications With the Audit Committee/Board of Commissioners	1-2
Independent Auditors' Report on Management Advisory Comments	3
Management Advisory Comments	4-7
Adjusting Journal Entries	8

**INDEPENDENT AUDITORS' REPORT ON  
COMMUNICATIONS WITH THE AUDIT COMMITTEE/  
BOARD OF COMMISSIONERS**

To the Board of Commissioners  
Rogers City Housing Commission

I have audited the financial statements of the Rogers City Housing Commission ("Housing Commission") as of and for the year ended June 30, 2006, and have issued my report, thereon, dated January 5, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

**Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America** - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

**Significant Accounting Policies** - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

**Management Judgments and Accounting Estimates** - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

**Other Information in Documents Containing Audited Financial Statements** - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE - CONTINUED**

**Audit Adjustments** - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 8 showing the audit adjusting journal entries, of which there were none).

**Disagreements With Management** - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

**Consultations With Other Accountants** - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

**Major Issues Discussed With Management Prior to Retention** - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

**Difficulties Encountered in Performing the Audit** - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

*Sandy E. Sandlett, CPA, PC*

January 5, 2007

**INDEPENDENT AUDITORS' REPORT ON  
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners  
Rogers City Housing Commission

I have audited the financial statements of the Rogers City Housing Commission ("Housing Commission") as of and for the year ended June 30, 2006, and have issued my report, thereon, dated January 5, 2007. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

*Barry E. Gaudette, CPA, PC*

January 5, 2007

ROGERS CITY HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
June 30, 2006

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**Cash Collections**

Tenants currently can pay their rents by cash, check or money order.

Although, only about two or three tenants pay by cash, we recommend that the Housing Commission consider not allowing payments by cash. This would provide another internal control in the collection of tenant rents.

**Invoice Approval**

The Housing Commission internal controls for the payment of invoices are as follows: The disbursement checks are prepared at least twice a month and signed by the Executive Director. A Commissioner also, reviews the documentation supporting the payment before signing the second signature. At the Boards monthly meeting, the Board will review a listing of paid checks and any others that need to be paid and then approve the payments.

The Michigan Department of Treasury requires that the board approve all invoices prior to payment unless addressed otherwise in the charter. The board may establish a formal policy to authorize payments prior to approval to avoid finance or late charges and to pay appropriated amounts and payroll (including related payroll taxes and withholdings). This policy must be very limited and a list of payments made prior to approval must be presented to the board for approval.

**Policies**

The Housing Commission have in the past inadequate policies and are currently in the process of adding and updating all of their policies.

**Laundry Cash Collections**

Currently the Executive Director collects and deposits all monies in the laundry machines.

Although, the amount collected is immaterial, if the Housing Commission would like to improve the internal controls, the maintenance employee could be used to improve the segregation of duties by accompanying the Executive Director when these monies are collected.

ROGERS CITY HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
(CONTINUED)

June 30, 2006

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**Depository Agreements**

The Housing Commission did not have any depository agreements on hand as of June 30, 2006, but obtained at least one of them on November 9, 2006. The Executive Director is in the process of obtaining the other banks depository agreement.

**Flowers**

The Housing Commission, during the current fiscal year, purchased flowers for either the sick or departed.

These are unauthorized disbursements and I recommend that these types of purchases not be purchased with Housing Commission monies in the future.

**Tenant Services Disbursements**

The Housing Commission has spent all of the monies received in the operating subsidy for tenant services, but there is not a resident council in place to decide how these monies should be spent.

I recommend the Housing Commission continue to try and have the tenants to form a resident council.

**Tenant Files**

The Executive Director was hired during 2005 and was only briefly trained by the former Executive Director in processing new tenants and recertification examinations. We believe that the Executive Director is going in the right direction by obtaining training and wanting to improve the tenant files she inherited.

ROGERS CITY HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
(CONTINUED)

June 30, 2006

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**Tenant Files (continued)**

We selected at random five(5) low rent tenant files to thoroughly test. The results are as follows:

Low Rent Program

	<u># of Exceptions</u>
a. HUD Form 50058	5
b. Privacy Act Notice	2
c. Proper Verification of Income	0
d. Proper Verification of Expenses	2
e. Proper Verification of Assets	3
f. Inspection Report	5
g. Lease	0
h. Application	5
i. Picture ID	4
j. Proof of Social Security Number	5
k. Birth Certificate	4
l. Annual Review	0
m. Worksheet for HUD Form 50058	0
n. Notice of Rent Adjustment	5
o. Criminal Background Check	5
p. Declaration of 214 Status (citizenship)	4
q. Check for Eviction from Public Housing	<u>5</u>
	<u>54</u>

Out of a possible 85, there were 54 exceptions. This is an exception rate of 63.5%.

The Housing Commission needs to concentrate on obtaining any missing documentation at the annual reexamination or interim reviews. We also, recommend that the Executive Director obtain occupancy and inspection training in the near future.

ROGERS CITY HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
(CONTINUED)

June 30, 2006

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**Tenant Files (continued)**

Five tenant files were looked at and applicable to this review.

The following is a short summary of exceptions:

File	Client #	1	2	3	4	5	6	7	8	9
1	3	x	x		x		x		x	x
2	11	x	x	x	x	x	x		x	x
3	19	x	x		x		x		x	x
4	26	x	x	x	x		x		x	x
5	33	x	x	x	x	x	x		x	x
Number of Hits		5	5	3	5	2	5	0	5	5
% of Hits		100%	100%	60%	100%	40%	100%	0%	100%	100%

**Legend**

- 1 Criminal background check not conducted;
- 2 Check for eviction from federal housing not conducted;
- 3 Income/expense/asset verification not conducted;
- 4 Form HUD-50058 was submitted to HUD, but we could not locate the form in the tenant files;
- 5 HUD Form 9886, Release of Information/Privacy Act Notice, not signed;
- 6 Social security number not verified with required documentation;
- 7 The Housing Commission could not locate the file;
- 8 The Housing Commission could not locate missing documents; and
- 9 The tenant may not be eligible to participate in the program, since we were unable to verify all of the information.



ROGERS CITY HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
June 30, 2006

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FDS  
Line Number    Account Name                      Debit    Credit

LOW RENT PROGRAM:

It was not necessary to make adjusting journal entries.